

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 05 RANGOON 000062

SIPDIS

STATE FOR EAP AND INL; DEA FOR OF, OFF;
USPACOM FOR FPA

E.O. 12958: DECL: 01/13/2015

TAGS: [SNAR](#) [KCRM](#) [PREL](#) [PGOV](#) [PINS](#) [ASEC](#) [BM](#)

SUBJECT: BURMA: IMPLICATIONS OF OPERATION WARLORD
INDICTMENTS

REF: A. DEA NEW YORK 14548 DTG 261754 Z AUG 04
[B.](#) DEA NEW YORK 22213 DTG 142016 Z DEC 04
[C.](#) 12/15/04 MARTINEZ-GAGNON E-MAIL
[D.](#) 8/31/04 MCMULLEN-GAGNON E-MAIL
[E.](#) 5/25/04 MARTINEZ-STROTZ E-MAIL
[F.](#) RANGOON 11 AND PREVIOUS
[G.](#) 04 RANGOON 1605 AND PREVIOUS
[H.](#) 04 RANGOON 1451
[I.](#) 04 RANGOON 221

Classified By: COM Carmen Martinez for Reasons 1.4 (B,D)

[1.](#) (SBU) Summary: Imminent U.S. Attorney indictments of UWSA leaders, seven of which are scheduled to be unsealed in New York on January 24, are the product of a DEA-led law enforcement investigation ("Operation Warlord") that will disrupt drug activities of key traffickers and producers. Unsealing the indictments at any time will have certain implications for U.S. Burma policies and objectives, and careful consideration should be given to all possible ramifications. The scheduled January 24 unsealing of the indictments coincides with other developments in Burma and could have additional implications for several bilateral and multilateral initiatives. End Summary.

Operation Warlord

[2.](#) (SBU) In August 2004 the U.S. Attorney's Office, Eastern District of New York (EDNY) handed down sealed indictments for 17 top leaders of the United Wa State Army (UWSA) as the result of a DEA-led investigation (dubbed "Operation Warlord;" refs A-E). An additional four individuals were indicted in December 2004. All 21 individuals are charged with violations for having conspired to possess, manufacture, or distribute heroin and methamphetamines, knowing these controlled substances would be unlawfully imported into the United States.

[3.](#) (SBU) According to DEA, the indicted individuals include notorious drug lord Wei Hsueh Kang, a member of the UWSA's central executive committee and the subject of a 1993 U.S. indictment, and his two brothers, Wei Hsueh Lung and Wei Hsueh Ying (AKA Yun); UWSA Commander Pao Yu Hsiang and his two brothers, Pao Yu Yi and Pao Yu Hua; and UWSA Deputy Commander Li Tzu Ru (Li Ziru). Also according to DEA, indictments against these seven individuals, plus one other person, will be unsealed on January 24 at a press conference in New York.

[4.](#) (C) Note: According to press reports, and verified by Embassy sources, UWSA Deputy Commander Li Tzu Ru died in the Wa capital of Pang Hsang from a heart attack in the early morning hours of January 9. As reported in ref F, other sources indicate that UWSA Commander Pao Yu Hsiang (AKA Bao You Xiang or Pao Yu Chang) recently relocated to Yunnan Province for medical care to address a serious neurological infection. End Note.

Bound the Get Their Attention

[5.](#) (SBU) The UWSA, as an organization, was placed on the Kingpins List in 2003. That action, from our perspective, has not significantly disrupted Wa narcotics activities in Burma nor has it garnered any notable reaction from UWSA leaders or members of the Burmese regime. The same can be said of a 1993 indictment of Wei Hseug Kang and his placement on the Kingpins List in 2000. However, a sweeping indictment of the individuals who comprise the top Wa leadership, as envisioned by the scheduled unsealing of the seven indictments, is likely to get considerable attention in Burma and in the region.

[6.](#) (SBU) Targeting the UWSA leadership for law enforcement action is in line with U.S. counternarcotics objectives and the DEA has briefed post with the compelling and abundant evidence that convinced a grand jury to deliver the indictments. According to explanations offered to us by DEA, the timing of the January 24 unsealing of the indictments is predicated on a DEA/DOJ assessment that the Burmese regime may cooperate by handing over the individuals as a means of

further discrediting ousted former Prime Minister Khin Nyunt as well as to improve the regime's counterdrug image.

Low Expectations for GOB Cooperation

17. (SBU) Unsealing the indictments now could diminish the ability of any of the seven individuals to travel in the region. A concurrent effort to seize the assets of the Hong Pang Company (Wei Hseuh Kang and the UWSA's most significant commercial venture), may also reduce the ability of Wa leaders to expand UWSA business holdings. However, on the basis of the regime's antagonistic stance toward the United States and the SPDC's long-standing counternarcotics shortcomings (documented annually during the certification process), we anticipate that the GOB will lack the will and the capacity to cooperate fully with Operation Warlord by arresting and handing over any of the seven indicted UWSA leaders. This does not preclude benefit that can be derived from the indictments, but there should be minimal expectation that GOB cooperation will include senior-level arrests.

18. (C) We don't believe the SPDC, if it defied our expectations and cooperated in any meaningful way, would be motivated by a desire to further discredit Khin Nyunt. Although the regime has undertaken a massive purge of the Khin Nyunt empire, and the ousted PM did indeed have relations with the UWSA, he did so at the behest of the regime and in pursuit of an end to years of violent conflict (if the indictments reveal a direct narcotics relationship between Khin Nyunt and the UWSA, the GOB might react more favorably (ref F), but we've seen no conclusive evidence of such a smoking gun). Nor would the SPDC view cooperation as an opportunity to improve its image; the regime has consistently concluded that the domestic political implications of handing over powerful drug lords outweigh any potentially favorable international reaction.

Wider Implications

19. (C) The following are additional issues that will influence regime's short- to medium-term reaction to the indictments. Several of these issues could in turn be affected by the imminent unsealing of the indictments:

--UWSA POLITICS: As we have reported, the core leadership of the UWSA has been struggling with internal tensions for several months (ref G). The death last week of Deputy Commander Li Tzu Ru and the unresolved illness of Commander Pao Yu Hsiang exacerbate turf battles arising from senior-level financial and policy disagreements. Many observers believe that Wa territory, home to a formidable and well-equipped (formerly insurgent) army of over 20,000 troops, is a powder keg. The SPDC is unlikely to undertake any abrupt moves against the Wa leadership, which could ignite internal Wa strife or, worse from the regime's perspective, unite the Wa to mount a military resistance to SPDC intrusion. While the regime will be careful to distance itself from Wa drug activities, it possible that the SPDC will characterize the indictments as interference in Burma's internal affairs.

--SPDC-UWSA RELATIONS: Widespread speculation among Burma's 17 cease-fire groups (CFGs) that the SPDC intends to expand central control over the border regions (ref H) has fueled Wa distrust of the regime following the ouster of Khin Nyunt, envoy to the Wa since 1989 and architect of the cease-fire agreement. Following Khin Nyunt's departure, the SPDC quickly dispatched a series of senior representatives to assure the UWSA that the regime has no intention of disrupting the Wa's limited autonomy and lucrative economic concessions. The regime is not likely to support indictments that would tarnish this charm offensive. If the SPDC actually cooperates with the indictments and seeks to arrest key UWSA leaders, the regime can expect a quick, and possibly military, reaction from the Wa.

--NATIONAL CONVENTION (NC): The SPDC announced this week that it will reconvene the NC on February 17 and proceed with efforts to secure a new constitution. Smooth completion of the NC is currently perhaps the regime's most pressing domestic priority. The only wild card in this otherwise rubber stamp process, leading to a preeminent governing role for the Burmese military in any future government, is the unresolved participation and acquiescence of Burma's ethnic cease-fire groups. The UWSA sent five delegates to the 2004 session of the National Convention. In addition, the Wa National Development Party (WNDP), a registered political party affiliated with the UWSA, sent five delegates. The indictments have the potential to encourage the UWSA to boycott the Convention altogether for fear of arrest(s). If the Wa take a pass on the Convention, other CFGs could follow suit. The SPDC would view such a development as a major disruption to the NC process and we could expect implications for several U.S. bilateral activities (see para 10).

--BURMA-PRC RELATIONS: The Wa are heavily influenced by the Chinese (specifically Yunnan Province), politically and socially. Wa territory is heavily Sino-fied and most residents speak Mandarin, get their electricity and consumables from Yunnan, rely on Chinese telecommunications, and use the yuan/renminbi as a de facto currency. The SPDC, the benefactors of growing Chinese assistance, are unlikely to make a move against the UWSA unless the PRC does as well. To a lesser extent, corresponding actions taken by the RTG in Thailand could also be a prerequisite for a desirable GOB response.

--UWSA POPPY-FREE PLEDGE: Years ago, the UWSA pledged to implement a comprehensive ban throughout Wa territory on the cultivation of poppy. After several postponements, the poppy-free ban is scheduled to go into effect in June 2005. Although there are many signs that it will be difficult for the UWSA to implement a full ban in the face of defiant farmers and opium traffickers, poppy cultivation in Shan State has declined by more than 70 percent over the last eight years. The UWSA could use the indictments, just months prior to implementation of the much-anticipated ban, as an excuse to claim an inability to bring the ban into force.

Issues that Hit Home

10. (C) The indictments, once made public, are also likely have an immediate impact on the following bilateral and multilateral activities:

--JOINT OPIUM YIELD SURVEY: Ten U.S.-Burma joint opium yield surveys have been conducted since 1993. We submitted a request to the GOB to begin the 2005 survey on February 25, a significant portion of which is envisioned to take place, as in previous years, within Wa territory, the heart of poppy cultivation in Burma. Unsealed indictments are unlikely to yield appropriate UWSA cooperation with GOB authorities in executing the survey, including providing necessary security. Therefore, if the GOB even agrees to carry out the joint survey this year, we would insist, for security reasons, that U.S. survey team members limit their travel to sites outside of Wa territory.

--RECOVERY OPERATIONS: U.S. operations for the recovery of WWII remains of U.S. servicemen in northern Burma have previously been facilitated by Khin Nyunt's now-defunct office of military intelligence (the same office that has traditionally organized the joint opium surveys). In the wake of the PM's ouster, U.S. mission elements responsible for carrying out the next phase of operations, scheduled to commence the end of January, are having significant difficulty obtaining cooperation from GOB authorities. Should the GOB react negatively to the indictments, we expect that efforts to secure cooperation for recovery operations will be even more difficult.

--UN AND NGO PROJECTS IN WA TERRITORY: The UNODC has led counterdrug programs for several years in Wa territory. While these efforts are modest, they represent the international community's most significant counternarcotics intervention in Burma. The United States is the largest donor, at roughly \$700,000 per annum, to the UNODC's Wa Project, an alternative development program carried out in cooperation with the UWSA and several international NGOs. Indictments of UWSA leaders make future U.S. funding for the UNODC/Wa Project impractical. We understand that INL plans to request that the earmark for the Wa project be removed; the loss of the UNODC's major donor will likely lead to the premature end of the Wa Project. The unsealing of the indictments could also pose a security risk to UNODC and NGO expatriate staff who live and work in the Wa capital and other Wa towns. The United States has not funded the UNODC's only other initiative, the "KOWI" project in the northern Wa and southern Kokang region, but the program has 18 UN and international NGO partners.

--DIPLOMATS IN WA TERRITORY: In an annual exercise, the UNODC plans to lead two missions in January and February for members of the Rangoon diplomatic corps to visit poppy growing areas in Wa territory. The first diplomatic team will arrive in Wa territory on January 24, the very day scheduled for the unsealing of the indictments. The visit is designed to showcase UNODC counterdrug programs for donors and potential donors. These valuable missions invariably include a call on UWSA leaders in the Wa capital of Pang Hsang (ref I). In light of the pending indictments, however, no U.S. mission personnel plan to participate in this year's UNODC tour. However, representatives from ten diplomatic missions based in Rangoon and Bangkok--including two ambassadors (Singapore and Czech Republic) and representatives from the British, Japanese, Swedish, and German embassies--have signed on to participate. We have requested that DEA provide UNODC with an appropriate briefing on the indictments and encourage UNODC to reconsider the trip. In our view, a visit to UWSA territory (at the time of

the unsealing) places diplomats at potential risk.

--U.S. MISSION SECURITY: The Rangoon country team has assessed the potential impact of the indictments on the U.S. mission and concluded that the unsealing is not likely to pose a serious threat to official personnel located in Rangoon. However, successful action taken against Hong Pang Company holdings outside of Burma would have an impact on the conglomerate's interests inside the country and the reaction of Wa business operators and their associates are unpredictable. Therefore, official travel to Wa territory by USG personnel should be suspended until further assessment after the indictments are unsealed. Post will also recommend appropriate changes to the consular information sheet.

Comment: Consider All the Possibilities

11. (C) Ethnic Wa cultivators along the Chinese border now account for over 60 percent of Burma's total poppy crop; major Wa traffickers continue to operate with impunity; and UWSA involvement in growing methamphetamine production and trafficking is well documented. The GOB's unwillingness or inability to curb these Wa drug activities is a primary explanation the USG provides in failing to certify Burma as meeting its international counternarcotics obligations. The indictments, while unlikely to elicit substantial GOB cooperation, represent a comprehensive law enforcement effort that will disrupt UWSA drug activities and certainly make life uncomfortable for complicit Wa leaders. Unsealing the indictments at any time will have certain implications for U.S. Burma policies and objectives. However, as outlined above, the January 24 unsealing will have additional implications for several bilateral and multilateral initiatives. Careful consideration should be given to these implications in proceeding with the unsealing. End Comment.

Martinez